

Appl.No.: 09/164,517  
Amd. dated 03/29/2005  
Response to Office Action of 11/29/2004

**Amendments to the Claims:**

This listing of claims will replace all prior versions, and listings, of claims in the application:

**Listing of Claims:**

Claim 1 (currently amended) A method of encoding an image, comprising the steps of:

- (a) partitioning an image into simple and natural image portions;
- (b) transforming said natural image portion into wavelet coefficients;
- ~~(a)~~ (c) decomposing an said simple image portion into bitplanes and said wavelet coefficients into bitplanes; and
- ~~(b)~~ (d) arithmetic encoding the bitplanes with a context model from the neighboring bits in a bitplane and previous bits at the location in previous bitplanes.

Claims 2-3 (cancelled)

Claim 4 (previously presented) The method of claim 1, wherein:

- (a) said image is an I frame in a video sequence of frames including I and P frames in which P frames use motion compensation.

Claim 5 (previously presented) The method of claim 4, wherein:

- (a) said video sequence also includes B frames which use bidirectional motion compensation.

Claims 6-7 (cancelled)